

TRADEMARK ASSIGNMENT

Electronic Version v1.1

Stylesheet Version v1.1

SUBMISSION TYPE:

NEW ASSIGNMENT

NATURE OF CONVEYANCE:

SECURITY INTEREST

CONVEYING PARTY DATA

Name	Formerly	Execution Date	Entity Type
Morneau Sobeco, Ltd.		09/30/2005	CORPORATION: DELAWARE

RECEIVING PARTY DATA

Name:	The Toronto-Dominion Bank
Street Address:	Royal Trust Tower, 77 King St West
Internal Address:	18th Floor
City:	Toronto
State/Country:	CANADA
Postal Code:	M5K1A2
Entity Type:	Chartered Bank: CANADA

PROPERTY NUMBERS Total: 1

Property Type	Number	Word Mark
Registration Number:	2062951	POWERFLEX

CORRESPONDENCE DATA

Fax Number: (416)865-7048

Correspondence will be sent via US Mail when the fax attempt is unsuccessful.

Phone: 416 865 7152

Email: sharon.groom@mcmbm.com

Correspondent Name: Sharon Groom

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ATTORNEY DOCKET NUMBER:

81016

DOMESTIC REPRESENTATIVE

Name:

Address Line 1:

900035642

TRADEMARK
REEL: 003190 FRAME: 0237

OP \$40.00 2062951

Address Line 2:

Address Line 3:

Address Line 4:

NAME OF SUBMITTER:

Sharon Groom

Signature:

/Sharon Groom/

Date:

11/08/2005

Total Attachments: 24

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SECURITY AGREEMENT

Made as of September 30, 2005

Between

MORNEAU SOBECO, LTD.
as Grantor

and

THE TORONTO-DOMINION BANK
as Agent for Lenders

MCMILLAN BINCH MENDELSON LLP

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SECURITY AGREEMENT

This Agreement is made as of September 30, 2005, between

MORNEAU SOBECO, LTD., a corporation incorporated under the laws of the State of Delaware
("**Grantor**")

and

THE TORONTO-DOMINION BANK, a chartered bank incorporated under the laws of Canada, on its own behalf as lender and as agent (together with its successors and permitted assigns, "**Agent**") for itself and certain financial institutions and other entities from time to time, as lenders ("**Lenders**")

RECITALS

A. The Agent and/or Lenders have made, and may from time to time make, certain loans and other financial accommodations to Morneau Sobeco Group Limited Partnership (the "**Borrower**") under the credit agreement dated as of the date hereof between the Agent, the Lenders, the Borrower and the other Loan Parties party thereto (as amended, restated or otherwise modified from time to time (the "**Credit Agreement**").

B. Pursuant to the Credit Agreement, Grantor has executed a guarantee dated as of the date hereof, in favour of Agent and Lenders (as from time to time amended, restated, supplemented and otherwise modified, the "**Guarantee**").

C. In connection with making the loans and other financial accommodations to Borrower and as a condition precedent thereto, Agent and Lenders require that Grantor shall have executed and delivered this Agreement as security for and performance of its Obligations.

FOR VALUE RECEIVED, the parties agree as follows:

SECTION 1 — INTERPRETATION

1.1 Terms Defined in PPSA

The terms "Chattel Paper", "Document of Title", "Goods", "Instrument", "Intangible", "Security", "Proceeds", "inventory", "Accession", "Money", "Account", "financing statement" and "financing change statement" whenever used herein shall be interpreted in accordance with their respective meanings when used in the *Personal Property Security Act* (Ontario), as amended from time to time, which Act, including amendments thereto and any Act substituted therefor and amendments thereto is herein referred to as the "PPSA". Any reference herein to

“Collateral” shall, unless the context otherwise requires, be deemed a reference to “Collateral or any part thereof”. The term “Proceeds”, whenever used herein and interpreted as above, shall, by way of example, include trade-ins, equipment, Money, bank accounts, notes, Chattel Paper, Goods, contract rights, Accounts and any other personal property or obligation received when such Collateral or Proceeds are sold, exchanged, collected or otherwise disposed of.

1.2 Other Defined Terms

Capitalized terms not defined in this Agreement shall have the meanings given to them in the Credit Agreement. In this Agreement:

- (1) **Account Debtor** shall mean any Person who may become obligated to Grantor under, with respect to, or on account of, an Account.
- (2) **Agreement** means this agreement and all schedules attached hereto as the same may be amended, restated, supplemented and otherwise modified from time to time. All uses of the words “hereto”, “herein”, “hereof”, “hereby” and “hereunder” and similar expressions refer to this security agreement and not to any particular section or portion of it.
- (3) **Collateral** has the meaning given to it in Section 2.1.
- (4) **Contract** has the meaning given to it in Section 2.1.
- (5) **Guarantee** has the meaning given to it in paragraph B of the Recitals.
- (6) **Inventory** has the meaning given to it in Section 2.1.
- (7) **Intellectual Property** has the meaning given to it in Section 2.1.
- (8) **Obligations** means the Grantor’s Obligations.
- (9) **Receiver** has the meaning given to it in Section 6.1.
- (10) **Security Interest** has the meaning given to it in Section 2.1.

SECTION 2— GRANT OF SECURITY

2.1 Grant of Security

As continuing collateral security for the due payment and performance by Grantor of all of the Obligations (specifically including, without limitation, Grantor’s Obligations arising under the Guarantee), Grantor hereby grants a security interest to Agent, for itself and for the benefit of Lenders, (collectively, the “**Security Interest**”) in, all of its right, title and interest in, to and under all of Grantor’s present and after acquired personal property including, without limitation, all Goods (including all parts, accessories, attachments, special tools, additions and accessions thereto), Chattel Paper, Documents of Title (whether negotiable or not), Instruments, Money and Securities now owned or hereafter owned or acquired by or on behalf of Grantor (including such as may be returned to or repossessed by Grantor) and in all Proceeds and renewals thereof,

accretions thereto and substitutions therefor and, further including, without limitation, all of the following now owned or hereafter owned or acquired by or on behalf of Grantor:

- (1) all Accounts and book debts and generally all debts, dues, claims, choses in action and demands of every nature and kind howsoever arising or secured, including letters of credit and advices of credit, which are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by Grantor ("**Debts**");
- (2) all deeds, documents, writings, papers, books of account and other books relating to or being records of Debts, Chattel Paper or Documents of Title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable;
- (3) all inventory of whatever kind and wherever situate, including, for greater certainty, all raw materials, work in process or materials used or consumed or to be used or consumed in the processing, production, packaging, promotion, delivery or shipping of the same, including other supplies (collectively, "**Inventory**");
- (4) all Equipment (other than Inventory) of whatever kind and wherever situate, including, without limitation, all machinery, tools, apparatus, plant, furniture, fixtures and vehicles of whatsoever nature or kind;
- (5) all Intangibles;
- (6) all present and future "contracts," now owned or hereafter acquired by Grantor, in any event, including all contracts, undertakings, or agreements (other than rights evidenced by chattel paper, securities or Instruments) in or under which Grantor may now or hereafter have any right, title or interest, including any agreement relating to the terms of payment or the terms of performance of any Account, contract rights and insurance claims (the "**Contracts**");
- (7) all patents, industrial designs, trade-marks, trade secrets and know-how including without limitation environmental technology and biotechnology, confidential information, trade-names, goodwill, copyrights, personality rights, plant breeders' rights, integrated circuit topographies, software and all other forms of intellectual and industrial property, and any registrations and applications for registration of any of the foregoing (collectively "**Intellectual Property**");
- (8) all present and future Instruments; and
- (9) all Money and Securities.

The foregoing property is collectively referred to as the "**Collateral**". In addition, to secure the prompt and complete payment, performance and observation of the Obligations, Grantor hereby grants to Agent, for itself and for the benefit of Lenders, a right of set-off (exercisable upon the occurrence and during the continuance of an Event of Default) against Collateral now or hereafter in the possession or custody of or in transit to Agent or any Lender for any purpose or as to which Guarantor may have any right or power. [NTD: For Fund, carve out debt/equity securities of Trust]

2.2 Exception to Last Day

The Security Interest granted hereby shall not extend or apply to, and Collateral shall not include, the last day of the term of any lease or agreement therefor but upon the enforcement of the Security Interest, Grantor shall stand possessed of such last day in trust to assign the same to any Person acquiring such term.

2.3 Liability for Deficiency

If the Collateral is realized upon and the Security Interest in the Collateral is not sufficient to satisfy all Obligations, Grantor acknowledges and agrees that, subject to the provisions of the PPSA, Grantor shall continue to be liable for any Obligations remaining outstanding and Agent shall be entitled to pursue full payment thereof.

2.4 Exception for Contractual Rights

(1) Subject to clause (2) below, the Security Interest created hereby does not and shall not extend to, and Collateral shall not include, any Contract or license (the “**Contractual Rights**”) to which Grantor is a party or of which Grantor has the benefit, to the extent that the creation of the security therein would constitute a breach of the terms of or permit any Person to terminate the Contractual Rights, but Grantor shall hold its interest therein in trust for Agent, for itself and for the benefit of Lenders until such time as the consent of the other party to such Contractual Rights is obtained.

(2) Notwithstanding the foregoing, the Security Interest shall attach and extend to all such Contractual Rights excluded in clause (1) above upon a declaration by the Agent under Section 10.2 under the Credit Agreement.

2.5 Exception for Licenses.

The Security Interest created hereby does not and shall not extend to, and Collateral shall not include, any license granted to Grantor by a Governmental Authority to carry on or operate a business (a “**Public License**”), if and to the extent that:

- (a) the granting of a security interest in or over the Public License constitutes an event of default under such Public License;
- (b) the granting of a security interest in or over the Public License requires the consent of such Governmental Authority and the consent of such Governmental Authority has not been obtained; or
- (c) the granting of a security interest in or over the Public License results in a transfer of the Public License to Agent, for itself and for the benefit of Lenders and Agent in such capacity is not eligible under the policies and procedures of the applicable Governmental Authority to be a transferee of the Public License,

provided that Grantor shall hold its interest in any such Public License in trust for the Holder until such time as the consent or waiver of the applicable Governmental Authority is obtained.

2.6 Enforcement of Contractual Rights and Public Licenses.

Upon this Agreement becoming enforceable, in order that the full value of the beneficial interest in the Contractual Rights and Public Licenses not assigned to Agent, for itself and for the benefit of Lenders pursuant to this Agreement but held in trust for Agent in such capacity pursuant to Sections 2.4 and 2.5 hereof, may be realized for the benefit of Agent in such capacity, Grantor shall, at the request and expense and under the direction of Agent, in the name of Grantor, take all such action and do or cause to be done all such things as are desirable in order that the obligations of Grantor under such Contractual Rights and Public Licenses may be performed in such manner that the beneficial interest in such Contractual Rights and Public Licenses shall be preserved and shall enure to the benefit of Agent, for itself and for the benefit of Lenders or as Agent may direct in writing and the collection of any monies due and payable and to become due and payable shall be facilitated and Grantor will promptly pay over to the Agent or as Agent may direct in writing all monies collected by or paid to Grantor in respect of the beneficial interest in every such Contractual Right and Public License.

2.7 Transactions in Ordinary Course of Business.

Until the Security Interest shall have become enforceable, the Security Interest shall in no way hinder or prevent Grantor from effecting any Permitted Disposition, and Agent shall, at the expense of Grantor, discharge and release the Collateral to the extent required to allow any Permitted Disposition to be consummated.

SECTION 3 — AGENT'S AND LENDERS' RIGHTS; LIMITATIONS ON AGENT'S AND LENDERS' OBLIGATIONS

3.1 Continued Liability of Grantor under licenses, etc.

It is expressly agreed by Grantor that, anything herein to the contrary notwithstanding, Grantor shall remain liable under each of its Contracts and each of its licenses to observe and perform all the conditions and obligations to be observed and performed by it thereunder. Neither Agent nor any Lender shall have any obligation or liability under any Contract or license by reason of or arising out of this Agreement or the granting herein of a Security Interest therein or the receipt by Agent or any Lender of any payment relating to any Contract or license pursuant hereto. Neither Agent nor any Lender shall be required or obligated in any manner to perform or fulfill any of the obligations of Grantor under or pursuant to any Contract or license, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any Contract or license, or to present or file any claims, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

3.2 Notice to Account Debtors

Agent may, at any time after an Event of Default shall have occurred and be continuing, without prior notice to Grantor, notify any Account Debtors, parties to any Contracts of Grantor and obligors in respect of Instruments and Chattel Paper, that such Accounts and the right, title

and interest of Grantor in and under such Contracts, Instruments and Chattel Paper have been assigned to Agent, and that payments shall be made directly to Agent for itself and the benefit of Lenders. Upon the request of Agent, following the occurrence and during the continuance of an Event of Default, Grantor shall so notify such Account Debtors, parties to Contracts and obligors in respect of Instruments and Chattel Paper. Grantor acknowledges that, upon Agent's delivery of a notice to Account Debtors in accordance with this Section 3.2, any payments on or other proceeds of Collateral received by Grantor from such Account Debtors, whether before or after notification of the Security Interest to such Account Debtors, shall be received and held by Grantor in trust for Agent and shall be delivered to the Agent.

3.3 Verification of Accounts

Agent may, at any time, in Agent's own name or in the name of Grantor communicate with Account Debtors, parties to Contracts, obligors in respect of Instruments and obligors in respect of Chattel Paper to verify with such Persons, to Agent's satisfaction, the existence, amount and terms of any such Accounts, Contracts, Instruments or Chattel Paper; provided that, absent the occurrence and continuance of an Event of Default, Agent shall conduct such verifications in coordination with Grantor and Grantor hereby agrees to coordinate and effectuate any such verification requested by Agent in its reasonable credit judgment within 20 days following Agent's request therefor. If an Event of Default shall have occurred and be continuing, Grantor, at its own expense, shall cause the independent chartered accountants then engaged by such Grantor to prepare and deliver to Agent and each Lender at any time and from time to time promptly upon Agent's request the following reports with respect to Grantor: (i) a reconciliation of all Accounts; (ii) an aging of all Accounts; (iii) trial balances; and (iv) a test verification of such Accounts as Agent may request. Grantor, at its own expense, shall deliver to Agent the results of each physical verification, if any, which Grantor may in its discretion have made, or caused any other Person to have made on its behalf, of all or any portion of its Inventory.

SECTION 4 — REPRESENTATIONS AND WARRANTIES OF GRANTOR

4.1 Representations and Warranties

Grantor represents and warrants that:

- (1) Grantor's correct legal name is "MORNEAU SOBECO, LTD."
- (2) This Agreement is effective to create a valid and continuing Lien on and, upon the filing of the appropriate financing statements or other applicable personal property security registrations and filings, a perfected Security Interest in favour of Agent, for itself and the benefit of Lenders, on the Collateral with respect to which a security interest may be perfected by filing pursuant to the PPSA.
- (3) Grantor's chief executive office, principal place of business, domicile (within the meaning of the *Quebec Civil Code*), corporate offices, all warehouses and premises where Collateral is stored or located, and the locations of all of its books and records concerning the Collateral and all Account Debtors are set forth on Schedule 4.1(3) hereto or, following the date

hereof, such other locations as to which Grantor has provided Agent with not less than thirty (30) days' prior written notice.

(4) Except for those filings under the PPSA which have been made, no consent, approval, authorization or other order or other action by, and no notice to or filing with, any governmental authority or any other Person is required for the grant by Grantor of the Security Interest in the Collateral pursuant to this Agreement or for the execution, delivery or performance of this Agreement by Grantor.

(5) The Intellectual Property of the Grantor is set out in Schedule 4.1(5).

SECTION 5— COVENANTS OF THE GRANTOR

5.1 Covenants

Grantor covenants and agrees with Agent, for the benefit of Agent and Lenders, that from and after the date of this Agreement and until all obligations of each of the Loan Parties to Agent and/or the Lenders are indefeasibly satisfied in full:

(1) ***Further Assurances; Pledge of Instruments.*** At any time and from time to time, upon the written request of Agent and at the sole expense of Grantor, Grantor shall promptly and duly execute and deliver any and all such further instruments and documents (including deeds of hypothec with respect to Collateral located in the Province of Quebec) and take such further actions as Agent may reasonably deem desirable to obtain the full benefits of this Agreement and the other Loan Documents to which Grantor is a party and of the rights and powers herein and therein granted, including (i) using its commercially reasonable best efforts to secure all consents and approvals necessary or appropriate for the assignment to or for the benefit of Agent of any license or Contract held by such Grantor or in which such Grantor has any rights not heretofore assigned, (ii) filing any financing or continuation statements (or the applicable equivalent) under applicable law with respect to the Liens granted hereunder or under any other Loan Document to which Grantor is a party, (iii) transferring Collateral to Agent's possession (for the benefit of Agent and Lenders) if such Collateral consists of Chattel Paper or Instruments or if a Lien on such Collateral can be perfected only by possession, or if requested by Agent, in its reasonable credit judgement and (iv) obtaining, or using its commercially reasonable efforts to obtain, waivers of Liens if any exist, from landlords and mortgagees in accordance with the Loan Documents. Grantor also hereby authorizes Agent, for the benefit of Agent and Lenders, to file any such financing or continuation statements (or the applicable equivalent) without the signature of Grantor to the extent permitted by applicable law. If any amount payable under or in connection with any of the Collateral is or shall become evidenced by any Instrument, such Instrument, other than cheques and notes received in the ordinary course of business, shall be duly endorsed in a manner satisfactory to Agent immediately upon Grantor's receipt thereof.

(2) ***Indemnification.*** In any suit, proceeding or action brought by Agent or any Lender relating to any Account, Chattel Paper, Contract, Document of Title, Intangible or Instrument for any sum owing thereunder or to enforce any provision of any Account, Chattel Paper, Contract, Document of Title, Intangible or Instrument, Grantor will save, indemnify and keep Agent and Lenders harmless from and against all expense (including reasonable legal fees and expenses),

loss or damage suffered by reason of any defence, set-off, counterclaim, recoupment, or reduction of liability whatsoever of the obligor thereunder, arising out of a breach by Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to, or in favour of, such obligor or its successors from Grantor, except in the case of Agent or any Lender, to the extent such expense, loss, or damage is attributable primarily to the gross negligence or wilful misconduct of Agent or such Lender. All such obligations of Grantor shall be and remain enforceable against and only against Grantor and shall not be enforceable against Agent or any Lender.

(3) ***Intellectual Property Collateral.***

- (a) If Grantor, either itself or through any agent, employee, licensee or designee, files an application for the registration of any Intellectual Property with any Canadian Intellectual Property Office or any similar office or agency, Grantor shall give Agent written notice thereof within five (5) Business Days of such filing, and, upon request of Agent, Grantor shall execute and deliver any and all intellectual property security agreements, as Agent may reasonably request to evidence Agent's Lien on such Intellectual Property, and the General Intangibles and Intangibles of Grantor relating thereto or represented thereby.
- (b) Grantor shall notify Agent promptly upon learning that any of Grantor's Intellectual Property is infringed upon, or misappropriated or diluted by a third party. Grantor shall, unless Grantor shall determine in its sole discretion, acting reasonably, that such Intellectual Property is in no way material to the conduct of its business or operations, promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and shall take such other actions as Grantor shall in its reasonable business judgement deem appropriate under the circumstances to protect such Intellectual Property.

SECTION 6— REMEDIES

6.1 Appointment of Receiver

Upon the occurrence of and during the continuance of any Event of Default, Agent may appoint or reappoint by instrument in writing, any Person or Persons, whether an officer or officers or an employee or employees of Agent or not, to be an interim receiver, receiver or receivers (hereinafter called a "**Receiver**", which term when used herein shall include a receiver and manager) of Collateral (including any interest, income or profits therefrom) and may remove any Receiver so appointed and appoint another in his/her/its stead. Any such Receiver shall, so far as concerns responsibility for his/her/its acts, be deemed the agent of Grantor and not of Agent or any of Lenders, and neither Agent nor any of Lenders shall be in any way responsible for any misconduct, negligence or non-feasance on the part of any such Receiver, his/her/its servants, agents or employees. Subject to the provisions of the instrument appointing him/her/it, any such Receiver shall have power to take possession of Collateral, to preserve Collateral or its value, to carry on or concur in carrying on all or any part of the business of Grantor and to sell, lease, license or otherwise dispose of or concur in selling, leasing, licensing or otherwise

disposing of Collateral. To facilitate the foregoing powers, any such Receiver may, to the exclusion of all others, including Grantor, enter upon, use and occupy all premises owned or occupied by Grantor wherein Collateral may be situate, maintain Collateral upon such premises, borrow money on a secured or unsecured basis and use Collateral directly in carrying on Grantor's business or as security for loans or advances to enable the Receiver to carry on Grantor's business or otherwise, as such Receiver shall, in its discretion, determine. Except as may be otherwise directed by Agent, all Money received from time to time by such Receiver in carrying out his/her/its appointment shall be received in trust for and paid over to Agent. Every such Receiver may, in the discretion of Agent, be vested with all or any of the rights and powers of Agent.

6.2 Exercise of Rights by Agent

Upon and during the continuance of any Event of Default, Agent may, either directly or through its agents or nominees, exercise any or all of the powers and rights given to a Receiver by virtue of Section 6.1.

6.3 Taking Possession of Collateral

Upon the occurrence and during the continuance of an Event of Default, Agent may take possession of, collect, demand, sue on, enforce, recover and receive Collateral and give valid and binding receipts and discharges therefor and in respect thereof and, upon the occurrence and during the continuance of any Event of Default, Agent may sell, license, lease or otherwise dispose of Collateral in such manner, at such time or times and place or places, for such consideration and upon such terms and conditions as to Agent may seem reasonable and in compliance with applicable law.

6.4 Rights and Remedies under PPSA

In addition to those rights granted herein, in the Loan Documents and in any other agreement now or hereafter in effect between Grantor and Agent and any Lender and in addition to any other rights Agent or Lenders may have at law or in equity, Agent shall have, both before and after the occurrence of any Event of Default, all rights and remedies of a secured party under the PPSA. However, Agent shall not be liable or accountable for any failure to exercise its remedies, take possession of, collect, enforce, realize, sell, lease, license or otherwise dispose of Collateral or to institute any proceedings for such purposes. Furthermore, none of Agent or Lenders shall have any obligation to take any steps to preserve rights against prior parties to any Instrument or Chattel Paper, whether Collateral or proceeds and whether or not in Agent's or any Lender's possession, and shall not be liable or accountable for failure to do so.

6.5 Co-operation of Grantor with respect to Taking Possession

Grantor acknowledges that, after and during the continuance of an Event of Default, Agent or any Receiver appointed by it may take possession of Collateral wherever it may be located and by any method permitted by law and Grantor agrees upon request from Agent or any such Receiver to assemble and deliver possession of Collateral at such place or places as directed.

6.6 Costs

Grantor agrees to be liable for and to pay all costs, charges and expenses reasonably incurred by Agent, any Lender or any Receiver appointed by Agent, whether directly or for services rendered (including reasonable solicitors and auditors' costs and other reasonable legal expenses and Receiver remuneration), in operating Grantor's accounts, in preparing or enforcing this Agreement, taking and maintaining custody of, preserving, repairing, processing, preparing for disposition and disposing of Collateral and in enforcing or collecting indebtedness and all such costs, charges and expenses, together with any amounts owing as a result of any borrowing by Agent, any Lender or any Receiver appointed by Agent, as permitted hereby, shall be a first priority Security Interest on the proceeds of realization, collection or disposition of Collateral and shall be secured hereby.

6.7 Notice of Sale

The Agent will give Grantor such notice, if any, of the date, time and place of any public sale or of the date after which any private disposition of Collateral is to be made as may be required by the PPSA.

6.8 Grant of Licence to Use Intellectual Property Collateral

For the purpose of enabling Agent to exercise rights and remedies under Section 6 hereof (including, without limiting the terms of Section 6 hereof, in order to take possession of, hold, preserve, process, assemble, prepare for sale, market for sale, sell or otherwise dispose of Collateral) at such time as Agent shall be lawfully entitled to exercise such rights and remedies, Grantor hereby grants to Agent, for the benefit of Agent and Lenders, an irrevocable, non-exclusive licence (exercisable without payment of royalty or other compensation to Grantor) to use, license or sublicense any Intellectual Property now owned or hereafter acquired by Grantor, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof.

6.9 Limitation on Agent's and Lenders' Duty in Respect of Collateral

Agent and each Lender shall use reasonable care with respect to the Collateral in its possession or under its control. Neither Agent nor any Lender shall have any other duty as to any Collateral in its possession or control or in the possession or control of any agent or nominee of Agent or such Lender, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

SECTION 7 — MISCELLANEOUS

7.1 Performance by Agent

Upon Grantor's failure to perform any of its duties hereunder, Agent may, but shall not be obligated to, perform any or all of such duties, and Grantor shall pay to Agent, forthwith upon written demand therefor, an amount equal to the expense incurred by Agent in so doing plus

interest thereon from the date such expense is incurred until it is paid at an annual rate of interest equal to the Prime Rate plus 2% on the basis of a three hundred and sixty-five (365) day year, in each case, for the actual number of days occurring in the period for which such interest is payable. For the purposes of the *Interest Act* (Canada), such rate of interest shall be equivalent to a rate based on a calendar year equal to such rate of interest multiplied by the actual number of days in the calendar year of calculation and divided by 365.

7.2 Extensions, etc.

Agent may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges and otherwise deal with Grantor, debtors of Grantor, any other Loan Party, sureties and others and with Collateral and other security as Agent may see fit without prejudice to the liability of Grantor or Agent's right to hold and realize the Security Interest. Furthermore, without limiting any other provision hereof, after and during the continuance of an Event of Default, Agent may demand, collect and sue on Collateral in either Grantor's or Agent's name, at Agent's option, and may endorse Grantor's name on any and all cheques, commercial paper, and any other Instruments pertaining to or constituting Collateral. Nothing herein contained shall in any way obligate Agent to grant, continue, renew, extend time for payment of or accept anything which constitutes or would constitute Obligations.

7.3 No Waiver

No delay or omission by Agent in exercising any right or remedy hereunder or with respect to any of the Obligations shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. Furthermore, Agent may remedy any default by Grantor hereunder or with respect to any Obligations in any reasonable manner without waiving the default remedied and without waiving any other prior or subsequent default by Grantor. All rights and remedies of Agent granted or recognized herein are cumulative and may be exercised at any time and from time to time independently or in combination.

7.4 Waiver of Protest

Grantor waives protest of any Instrument constituting Collateral at any time held by Agent on which Grantor is in any way liable and, subject to Section 6.7 hereof, notice of any other action taken by Agent, each to the extent permitted by applicable law.

7.5 Assignment and Enurement

This Agreement and all obligations of Grantor hereunder shall be binding upon the successors and assigns of Grantor (including any debtor-in-possession on behalf of Grantor) and shall, together with the rights and remedies of Agent, for the benefit of Agent and Lenders, hereunder, inure to the benefit of Agent and Lenders, all future holders of any instrument evidencing any of the obligations of any Loan Party and their respective successors and assigns. No sales of participations, other sales, assignments, transfers or other dispositions of any agreement governing or instrument evidencing the Obligations or any portion thereof or interest

therein shall in any manner affect the Lien granted to Agent, for the benefit of Agent and Lenders, hereunder. Grantor may not assign, sell, hypothecate or otherwise transfer any interest in or obligation under this Agreement.

7.6 Amendment

Save for any schedules which may be added hereto pursuant to the provisions hereof, no modification, variation or amendment of any provision of this Agreement shall be made except by a written agreement, executed by the parties hereto and no waiver of any provision hereof shall be effective unless in writing.

7.7 Notices

Unless otherwise specified, any notice or other communication required or permitted to be given to a party under this Agreement shall be in writing, and shall be in the form specified herein, where applicable (or such other form as the Agent may approve from time to time), and may be delivered personally or sent by prepaid registered mail or by facsimile, to the address or facsimile number of the party set below to the attention of the Person there indicated or to such other address, facsimile number or other Person's attention as the party may have specified by notice in writing given under this Section 7.7:

If to Grantor:

MORNEAU SOBECO, LTD.
2000 Technology Drive, Suite 300
Pittsburgh, Pennsylvania
15219-3109

Attention: Chief Executive Officer
Telecopier No.: 416.445.7989
Telephone No.: 416.445.2700

If to Agent or Lenders:

THE TORONTO-DOMINION BANK
Royal Trust Tower
77 King Street West, 18th Floor
Toronto, Ontario
M5K 1A2

Attention: Vice President, Loan Syndications-Agency
Telecopier No.: 416.982.5535
Telephone No.: 416.982.2137

or such other addresses as may be substituted by notice given as herein provided.

Any notice or other communication shall be deemed to have been given in accordance with Section 14.2 of the Credit Agreement.

7.8 Remedies Cumulative

This Agreement and the security afforded hereby is in addition to and not in substitution for any other security now or hereafter held by Agent and is intended to be a continuing security agreement and shall remain in full force and effect until the Obligations and the obligations of each of the Loan Parties to Agent and/or the Lenders are indefeasibly satisfied in full and any extensions or renewals thereof together with interest accruing thereon shall be paid in full.

7.9 Headings

The headings used in this Agreement are for convenience only and are not to be considered a part of this Agreement and do not in any way limit or amplify the terms and provisions of this Agreement.

7.10 Reinstatement

This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against Grantor for liquidation or reorganization, should Grantor become insolvent or make an assignment for the benefit of any creditor or creditors or should a receiver or trustee or similar Person be appointed for all or any significant part of Grantor's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Obligations, whether as a "voidable preference", "fraudulent conveyance", or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

7.11 Number and Gender

When the context so requires, the singular number shall be read as if the plural were expressed and the provisions hereof shall be read with all grammatical changes necessary dependent upon the Person referred to being a male, female, firm or corporation.

7.12 Limitation By-Law; Severability

All rights, remedies and powers provided in this Agreement may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Agreement are intended to be subject to all applicable mandatory provisions of law that may be controlling and to be limited to the extent necessary so that they shall not render this Agreement invalid, unenforceable, in whole or in part, or not entitled to be recorded, registered or filed under the provisions of any applicable law. In the event any provisions of this Agreement, as amended from time to time, shall be deemed invalid or void, in whole or in part, by any Court of competent jurisdiction, the remaining terms and provisions of this Agreement shall remain in full force and effect.

7.13 Attachment

The Security Interest created hereby is intended to attach when this Agreement is signed by Grantor and delivered to Agent.

7.14 Amalgamation

Grantor acknowledges and agrees that in the event it amalgamates with any other company or companies it is the intention of the parties hereto that the term "Grantor" when used herein shall apply to each of the amalgamating companies and to the amalgamated company, such that the Security Interest granted hereby:

- (1) shall extend to "Collateral" (as that term is herein defined) owned by each of the amalgamating companies and the amalgamated company at the time of amalgamation and to any "Collateral" thereafter owned or acquired by the amalgamated company, and
- (2) shall secure the "Obligations" (as that term is herein defined) of each of the amalgamating companies and the amalgamated company to Agent and Lenders at the time of amalgamation and any "Obligations" of the amalgamated company to Agent and Lenders thereafter arising. The Security Interest shall attach to "Collateral" owned by each company amalgamating with Grantor, and by the amalgamated company, at the time of the amalgamation, and shall attach to any "Collateral" thereafter owned or acquired by the amalgamated company when such becomes owned or is acquired.

7.15 Agent's Appointment as Attorney-In-Fact

On the date of this Agreement, Grantor shall execute and deliver to Agent a power of attorney (the "**Power of Attorney**") substantially in the form attached hereto as Exhibit A. The power of attorney granted pursuant to the Power of Attorney is a power coupled with an interest and shall be irrevocable until the Obligations and the obligations of each of the Loan Parties to Agent and/or the Lenders are indefeasibly satisfied in full. The powers conferred on Agent, for the benefit of Agent and Lenders, under the Power of Attorney are solely to protect Agent's interests (for the benefit of Agent and Lenders) in the Collateral and shall not impose any duty upon Agent or any Lender to exercise any such powers. Agent agrees that (a) it shall not exercise any power of attorney or authority granted under the Power of Attorney unless an Event of Default has occurred and is continuing, and (b) Agent shall account for any money received by Agent in respect of any foreclosure on or disposition of Collateral pursuant to the Power of Attorney provided that none of Agent or Lenders shall have any duty as to any Collateral, and Agent and Lenders shall be accountable only for amounts that they actually receive as a result of the exercise of such powers. NONE OF AGENT, LENDERS OR THEIR RESPECTIVE AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR REPRESENTATIVES SHALL BE RESPONSIBLE TO GRANTOR FOR ANY ACT OR FAILURE TO ACT UNDER ANY POWER OF ATTORNEY OR OTHERWISE, EXCEPT IN RESPECT OF DAMAGES ATTRIBUTABLE PRIMARILY TO THEIR OWN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

7.16 Termination of This Agreement

Subject to Section 7.10 hereof, this Agreement shall terminate upon the indefeasible payment in full of the Obligations and all of the obligations of the Loan Parties to the Agent and/or the Lenders.

7.17 Further Assurances

Grantor hereby authorizes Agent to file such financing statements, financing change statements and other documents and do such acts, matters and things (including completing and adding schedules hereto identifying Collateral or any Permitted Liens affecting Collateral or identifying the locations at which Grantor's business is carried on and Collateral and records relating thereto are situate) as Agent may reasonably deem appropriate to perfect on an ongoing basis and continue the Security Interest, to protect and preserve Collateral and, following the occurrence and during the continuance of an Event of Default, to realize upon the Security Interest.

7.18 Governing Law

This Agreement and the transactions evidenced hereby shall be governed by and construed in accordance with the laws of the province of Ontario and the federal laws of Canada applicable therein, as the same may from time to time be in effect, including, where applicable, the PPSA.

7.19 Counterparts

This Agreement may be executed in any number of counterparts which shall, collectively and separately constitute one agreement.

7.20 Advice of Counsel

Each of the parties represents to each other party hereto that it has discussed this Agreement with its counsel.

7.21 Benefit of Lenders

All Liens granted or contemplated hereby shall be for the benefit of Agent and Lenders, and all proceeds or payments realized from Collateral in accordance herewith shall be applied to the Obligations at the discretion of the Agent.

SECTION 8 — COPY OF AGREEMENT

8.1 Copy

Grantor hereby acknowledges receipt of a copy of this Agreement.

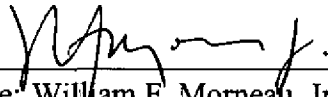
8.2 Waiver

To the extent permitted by applicable law, Grantor waives Grantor's right to receive a copy of any financing statement or financing change statement registered by Agent, or of any verification statement with respect to any financing statement or financing change statement registered by Agent.


[INTENTIONALLY LEFT BLANK]

The parties have executed this Agreement.

MORNEAU SOBECO, LTD.

By: 
Name: William F. Morneau, Jr.
Title: Chief Executive Officer

THE TORONTO-DOMINION BANK, as Agent

By: 
Duly Authorized Signatory
Michael A. Freeman
Vice President, Loan Syndications - Agency

Schedule 4.1(3) – Locations

1. Locations of Grantor's chief executive office, head office and principal place of business:

2000 Technology Drive
Suite 300
Pittsburgh, PA
15219-3109
U.S.A.

2. Locations of Grantor's corporate offices, including registered office (where different from that set out above):

Not Applicable.

3. Location of Grantor's domicile (within the meaning of the Quebec Civil Code):

Not applicable.

4. All premises where Collateral is located:

Pennsylvania
Delaware
Indiana
Ontario

5. Locations of books and records concerning Collateral and Account Debtors:

2000 Technology Drive
Suite 300
Pittsburgh, PA
15219-3109
U.S.A.

Schedule 4.1(5) – Intellectual Property

<u>Trademark</u>	<u>Owner</u>	<u>Jurisdiction</u>	<u>Registration Number</u>
Powerflex	Morneau Sobeco, Ltd.	United States of America	2,062,951

***There are no pending applications for additional trademarks.*

EXHIBIT A**POWER OF ATTORNEY**

This Power of Attorney is executed and delivered by ●, a corporation incorporated under the laws of ● (“**Grantor**”), to THE TORONTO-DOMINION BANK, chartered bank incorporated under the laws of Canada (hereinafter referred to as “**Attorney**”), as Agent for the benefit of Agent and Lenders, under a Security Agreement, dated as of ●, and other related documents (the “**Loan Documents**”). No person to whom this Power of Attorney is presented, as authority for Attorney to take any action or actions contemplated hereby, shall be required to inquire into or seek confirmation from Grantor as to the authority of Attorney to take any action described below, or as to the existence of or fulfilment of any condition to this Power of Attorney, which is intended to grant to Attorney unconditionally the authority to take and perform the actions contemplated herein, and Grantor irrevocably waives any right to commence any suit or action, in law or equity, against any person or entity which acts in reliance upon or acknowledges the authority granted under this Power of Attorney. The power of attorney granted hereby is coupled with an interest, and may not be revoked or cancelled by Grantor without Attorney’s written consent.

Grantor hereby irrevocably constitutes and appoints Attorney (and all officers, employees or agents designated by Attorney), with full power of substitution, as Grantor’s true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Grantor and in the name of Grantor or in its own name, from time to time in Attorney’s discretion, to take any and all appropriate action and to execute and deliver any and all documents and instruments which may be necessary or desirable to accomplish the purposes of the Loan Documents and, without limiting the generality of the foregoing, Grantor hereby grants to Attorney the power and right, on behalf of Grantor, without notice to or assent by Grantor, and at any time, to do the following: (a) change the mailing address of Grantor, open a post office box on behalf of Grantor, open mail for Grantor, and ask, demand, collect, give acquittances and receipts for, take possession of, endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, and notices in connection with any property of Grantor; (b) effect any repairs to any asset of Grantor, or continue or obtain any insurance and pay all or any part of the premiums therefor and costs thereof, and make, settle and adjust all claims under such policies of insurance, and make all determinations and decisions with respect to such policies; (c) pay or discharge any taxes, liens, security interests or other encumbrances levied or placed on or threatened against Grantor or its property; (d) defend any suit, action or proceeding brought against Grantor if Grantor does not defend such suit, action or proceeding or if Attorney believes that Grantor is not pursuing such defense in a manner that will maximize the recovery to Attorney, and settle, compromise or adjust any suit, action, or proceeding described above and in connection therewith, give such discharges or releases as Attorney may deem appropriate; (e) file or prosecute any claim, litigation, suit or proceeding in any court of competent jurisdiction or before any arbitrator, or take any other action otherwise deemed appropriate by Attorney for the purpose of collecting any and all such money due to Grantor whenever payable and to enforce any other right in respect of Grantor’s property; (f) cause the public chartered accountants then engaged by Grantor to prepare and deliver to Attorney at any time and from time to time, promptly upon Attorney’s request, the following reports: (1) a reconciliation of all accounts, (2) an aging of all accounts, (3) trial balances; (4) test

verifications of such accounts as Attorney may request; and (5) the results of each physical verification of inventory, (g) communicate in its own name with any party to any Contract with regard to the assignment of the right, title and interest of such Grantor in and under the Contracts and other matters relating thereto; and (h) execute, in connection with any sale provided for in any Loan Document, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral and to otherwise direct such sale or resale, all as though Attorney were the absolute owner of the property of Grantor for all purposes, and to do, at Attorney's option and Grantor's expense, at any time or from time to time, all acts and other things that Attorney reasonably deems necessary to perfect, preserve, or realize upon Grantor's property or assets and Attorney's liens thereon, all as fully and effectively as Grantor might do. Grantor hereby ratifies, to the extent permitted by law, all that said Attorney shall lawfully do or cause to be done by virtue hereof.

THIS POWER OF ATTORNEY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE PROVINCE OF ONTARIO APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT PROVINCE.

IN WITNESS WHEREOF, this Power of Attorney is executed by Grantor pursuant to the authority of its board of directors this _____ day of September, 2005.

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By: _____ c/s

Name:

Title: